

Berlin, 06.04.2020

Dear EU leaders, dear presidents and prime ministers of the EU member states, dear Europeans,

the Covid-19 virus has hit the European Union and its member countries regardless of politics, economic policy, or position within Europe. Although there are different degrees of severity and different timelines, it is an illness affecting all member states.

Thus, as Europeans, it alarms and saddens us that Europe, the European institutions and solidarity are perceived as being largely absent in the Covid-19 crisis. This felt absence is an alarming sentiment, which drives us to write this open letter.

A modest proposal for action

We allow ourselves the following modest proposals:

- 1) We invite all heads of state to inform citizens in their addresses about the actions taken on European level, their exchange and learning experience by consulting with other EU countries. We are e.g. sure that currently all European countries which are behind Italy on the timeline are in close contact with its institutions and learn from the Italian experiences. But we would appreciate that this kind of European solidarity is mentioned and in consequence finds its way into national media of each member state.
- 2) Action now: We suggest a pan-European Union private sector involvement in order to jumpstart and to sustain a European Union based production and supply chain of important medical goods – both for emergency needs, but also for long-term supply security. A European approach will show the availability and overall production capacity, the market will react to demand and the shortages can be resolved. This is an optimal approach to leverage the rescEU stockpile initiative¹ announced by the European Union.
- 3) The need for a vaccine against Covid-19 asks for measures beyond the common EU schemes to incentivize innovation, company creation and production. We therefore suggest to the European Commission aided by the European Investment Bank to start a European competition. Let us name it the European X-price for applicable medical innovation ready to be produced and used against Covid-19. The mixture of competition, challenging each other and financial incentives as well as resource allocation to the most promising concepts could catalyze European (biotech) companies and medical researchers in the field of e.g. biotech and pharma. The European Investment Bank is well-connected among venture capital funds and likely best suited to a) provide finances as well as b) effectively reach relevant professionals.
- 4) We call for an educated, fact-based discussion for the preparation of viable and actionable means and instruments in the financial space in order to provide all member states with financial support to restart their economies and therefore Europe's economy. We need to substantiate solidarity – the name of the instrument, whether it is Coronabond or catastrophic bond, does not matter. Important is to define political measures fast, and to

¹ https://ec.europa.eu/echo/news/covid-19-commission-creates-first-ever-resceu-stockpile-medical-equipment_en

design an appropriate financial means to cope with the costs of the current crisis. It is important to base this instrument(s) on economic criteria reflecting not only the political European Union, but also the prevalent monetary union.

Regarding this aspect we invite all European decision makers to value other instruments besides debt, suggesting e.g. a kind of equity based, therefore “real” European Marshall fund instead of new debt.

If we may dream - such a fund allowing for a participation in capital by e.g. every EU citizen to Europe’s production base could be a significant signal and important means to counter the crisis.

- 5) Crises are times to adapt – it is time to take the next steps of European integration in a democratic way. Common European debt, e.g. European social schemes, and deeper integration – this will be the next topics also deriving from this crisis. Provide us European citizens with well-structured proposals and give us the chance to vote about them. This also means to realize a real European electorate.

The reasoning and urge for these proposals are elaborated the following.

On the medical crisis response and EU health policy

We named the perceived absence. Therefore, we first want to cite some measures taken on the European level in close coordination and collaboration with member states. In fact, we appreciate the actions taken by the European Commission² which indeed bear witness to fast, manifold, and crucial activities on a European level fostering the exchange between European experts. Allow us to cite a few:

There is, for example, the IPCR crisis response mechanism, which has organized the sharing of existing crisis reports and a web platform for exchanging and collecting information, acts as a 24/7 contact point and provides analytical reports.

There have been crisis meeting with EU ambassadors or ministers accompanied by proposals for EU action.

Finally, there is to name the Health Security Committee³ which coordinates a lot of the European activities.

In sum, there have been a lot of important measures. Furthermore, we want to point out that these activities are taking place while health policy is in the responsibility of the individual member state.

The changed context of solidarity

In light of the current events it is paramount to call to mind and reinforce that solidarity is the very foundation, upon which the European project rests. It is an important promise to all European citizens and the strong belief and commitment that current crisis is only and best encountered together - as European Union and European citizens.

Many of you as well as many EU citizens ask for even more European solidarity in these times. And so, do we. This is partially due to the widespread sentiment that the various activities still seem to be

² Overview page “Coronavirus response” https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_en - last accessed 03/04/20

³ Overview of weekly meeting notes - https://ec.europa.eu/health/hsc_covid19_en - last accessed 04/04/2020

characterized by fragmentation in individual national activities instead of joint solidarity. Nevertheless, we first of all ask all of you to not linger over past actions (or non-actions)⁴ of the last weeks but encourage all of you and us to look forward.

Looking forward, we want to point out and remind you that solidarity today has taken on a new meaning. This understanding is important, so please allow us to explain the shift in meaning.

Yes, solidarity knows many forms. Having already witnessed many acts of instant solidarity⁵ among many member states in addition to international help, many more acts would be desirable. Thus, if you can spare masks to distribute them, take in patients from other countries, or provide support in any other, do so! However, the question of and appeal for solidarity must not and cannot stop here. We urge all leaders of the EU to recall that solidarity goes well beyond immediate medical action, notwithstanding that any additional help in that field will of course be much welcome.

But - we want to underline that the context and therefore the meaning of solidarity changed. The facets of solidarity in light of the Covid-19 caused consequences, became redefined with regard to the European Union.

What is this new context? It is the fact of an external shock that equally affects all member states independent of their prior politics or economic model, strength, or difficulties. We invite all participants in the debate about solidarity and measures to absorb that the fact of different timelines of the outbreak in each country, still means an equal thread and cannot be the reference point for valuation. It is very likely, for example, that Germany finds itself in two weeks from now in a situation similar to the one Italy is experiencing today as this is the sequence of the virus outbreak. This is the new context of solidarity.

Solidarity has a natural partner. It comes with responsibility. Shared responsibility and individual responsibility to act on shortcomings (not only of economic nature) in each member state asking for solidarity and responsibility. It has the aspect of respecting commitments. But it also includes the responsibility for the other partner in the union rooted in an understanding of the context.

We again underline the importance of this fact. Because, if the new context is not understood, the resulting issues and therefore growing concerns are manifold.

The real challenge – stay united

Our concerns are beyond the immediate reaction to Covid-19, the lockdown, and the medical issues it created.

Our concerns are that hurt feelings and hardship resulting from the medical crisis challenge the very fundament of the European Union. It is its unitedness, its promise and benefits to its citizens which share and live the European Union - with all flaws and necessary times to coordinate political action. And we remind that hurt feelings and hardship also have a context. It is the third large crisis in twelve years from the Euro crisis to the migration crisis where member states and citizens feel left alone but did their part.

⁴ <https://www.lastampa.it/esteri/2020/03/13/news/l-ue-minaccia-la-germania-sull-export-delle-mascherine-procedura-d-infrazione-se-non-rimuove-il-blocco-1.38587861> - last accessed 04/04/2020

and <https://www.startmag.it/innovazione/mascherine-germania/> - last accessed 06/04/20

⁵ List with examples of European solidarity acts
https://ec.europa.eu/commission/presscorner/api/files/attachment/863781/Covid19_factsheet_EuropeanSolidarity_0304_en.pdf.pdf - last accessed 04/04/20

Our concerns are that you as politicians and we as citizens are not fast enough to apprehend the real meaning of solidarity today.

To prevent this crisis many fundamental rights have been suspended temporarily. But this can only be temporarily, and even more so means that future solutions therefore must be rooted in a clear commitment of the West to defend its values as liberal, free, and open society – united.

Dangers ahead

Nationalistic and EU-sceptic movements are on the rise. The AfD in Germany, Lega Nord in Italy, Vox in Spain, the Rassemblement National in France... are just some examples of a long list. The birth and rise of nationalistic political parties are closely, albeit not exclusively related to the inability of Europe to deal with both the so-called Euro crisis and the migration crisis. As an alarming example, it should not be forgotten that the German AfD⁶ was born out of dissatisfaction over the economic solutions during the Euro crisis.

Thus, it does not take much imagination what happens when the economic consequences of the coronavirus pandemic become evident and felt by many. But, as many citizens in the European Union understand and have proven that they can master economic hardship resulting from world events, many might be tempted to abandon a common project if they – again after the Euro crisis and the migration crisis - feel that the European Union, they protect, is unable to protect and help the very same citizens with economic recovery. Thus, let us examine the context and conditions for it.

The battlefield – economic recovery

In order to explain the importance of our concerns, one needs to understand the battlefield and litmus test of European unity – it is the economic, not the medical field.

Soon the coronavirus emergency will warp into an economic crisis of dimensions already labelled as beyond 2008⁷. This will affect all member states of the European Union and in particular those of the Euro.

While each country enters this crisis with its individual profile regarding its economic situation and macroeconomic performance, one point is clear. The sudden shift to a negative GDP growth will result in public (and private) balance sheets under strong pressure abruptly flipping ratios used to evaluate their corresponding health upside-down – in some case with non-linear behavior.

The signal by the European Union to soften budget rules is one important step here. But given the expected dimension of the economic storm it will not suffice. We need other instruments. So, either Europe finds an answer delivering on the idea of a monetary, political, and economic union or it will stop here.

Why this urge and drastic dimension: Let us quickly recall for the reader the events around the heights of the so-called Euro crisis: balance sheets of governments under stress, resulting in widening spreads, leading to rescue actions and deep cuts while in parallel the European banking

⁶ Compare https://en.wikipedia.org/wiki/Alternative_for_Germany - Founding

⁷ <https://www.welt.de/wirtschaft/article206981045/Coronavirus-Folgen-Altmaier-rechnet-mit-drastischem-Wirtschaftseinbruch.html> - last accessed 05/04/2020

system was and is paralyzed. In addition, remember the efforts and time needed by our leaders to come to agreements.

Yes, we ourselves asked above that we do not want to linger in the past, allowing us an exemption here. An exemption, not to blame each other, but to remind you of the lessons learned during the Euro crisis (and the refugee crisis) that can help the European Union to encounter the shaping (economic aspect) coronavirus crisis.

There are three crucial points:

- Measures need to be decided fast and in the appropriate dimension.
- Measures need to be thought and discussed with a European perspective, as one state with regions, not from a pure national perspective of each country.
- We need to define and balance solidarity with responsibility. This for sure by each state individually down to each citizen. But the discussion of responsibility on the political side cannot be driven by flaws of the integration progress and design of the European Union and the Eurozone resulting in pure political position for the national electorate.

This open letter is not the place to discuss the Euro crisis and its details. The important reference is to remember that during the Euro crisis a number of political positions emerged that are pure political positions not rooted in sound economic analysis. Furthermore, individual positions in this context neglect the created (monetary) union. Please allow us to elaborate some of the listed points:

First. It is not only important to cite the volume of aid packages that China or Russia set in place to compare with European measures, but to understand the context. The late, step by step reaction of Europe in the last crisis marked the difference in its success with the recovery compared to other countries that acted with decisiveness and velocity. This can be seen in numbers.

Second: The categorical “NO” regarding Eurobonds by some countries in fact is such a cited political position regarding a real monetary union and a political union. It showed a root problem emerging during the Euro crisis. This is not the instrument of Eurobonds and arguments by politicians around it. It indicated first of all one of the design-flaws primarily of the Eurozone able to be tested by financial markets due to the disagreement and an inability to agree on a political answer. Monetary unions know common debt.

This brings up a third important point. Facing the current crisis, the context as argued changed. Thus, a real danger is – again - to prevent economic recovery and the necessary, appropriate instruments for it by discussing them with an understanding and arguments of a past situation. Let us cite one example. The proposed introducing of “Coronabonds” as a new and unified countermeasure does not have to mean the “Europeanization” of existing, past debt. Nor do e.g. the criteria of a current account deficit crisis and its analysis apply for the cause of an external shock.

We referred to solidarity and responsibility as partners: Within the context of the economic perspective it is only just and fair to point to conducting European focused analysis that would be much needed in each national member state debate. Remember, the context changed, but the fact of a wanted and realized European (and to a large part monetary) Union did not.

Let us explain this kind of analysis with one example: In the past, for example although stereotypical, European leaders focused on some countries with budget policy problems as the *sole* cause of problems, which are to some degree the other side of successful export models and corresponding wage setting.

A European analysis as political and economic unit meant and means to understand this and requires

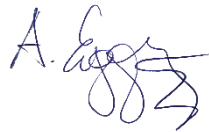
looking beyond national policies and dependencies. But this point of view and understanding of necessary solidarity and responsibility is absent in the discussion regarding instruments today. And - this is no moralization, but a rational analysis.

We can only hope that the European Union and its institutions learned and prepared well for the upcoming economic crisis.

Concluding, it is therefore our urgent appeal to the European Institutions as well as to all heads of member states to proactively work towards a solution.

Stay at home, but stay active

Europe vs Covid-19
a Europe acts initiative



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